



What are LBNL Direct and Indirect Costs and How Do Those Costs Apply to Different Types of Projects?

April 2003

By Lisa Rebrovich



Budgeting Information

- Direct Cost vs. Indirect Cost
- Direct Cost Descriptions
- Indirect Cost Descriptions
- Project Types – What are They?
- The Cookbook



Direct Cost vs. Indirect Cost

- Direct costs are usually classified as non overhead expenses. Examples of direct costs include direct labor (raw salary), material purchases, subcontracts, electricity, recharges (shop, telephones, CAD, computer, etc.) travel, etc.
- Indirect costs are costs that are not identified with a single, specific final cost objective. These costs, collected in cost pools, are distributed or allocated to a final cost objective based on a predetermined methodology. For example, General Rate (GR) burden, procurement burden, payroll burden, organizational burden, technology transfer burden, space, nuclear nonproliferation burden, etc., are examples of indirect costs.



Direct Cost vs. Indirect Cost (cont'd)

- Non Institutional Burden Costs are also indirect costs. For example, Safeguards and Security and Federal Administrative Charge.



Direct Cost Descriptions (cont'd)

- Recharges – the purpose of a recharge policy is to provide all recharge centers a common framework for the equitable and accountable distribution of user charges which are based on the costs of the facilities, goods and services provided.
 - Examples of recharges are: telephone services, CAD, print room, animal, shops, conference, computer, etc.



Indirect Cost Descriptions

- Payroll burden is an indirect cost that applies to labor only (salary x payroll burden). See next slide describing what payroll burden covers.). The employee type category will determine what payroll burden to apply.
 - Note: Although payroll burden is an indirect cost, for proposal purposes, we show it as a direct cost in most cases.

Payroll Burden Breakdown

Benefit	Employee Category				
	Career, Term, Special Scientists & Postdoctoral Fellows	Limited Employees & Visiting Postdoctoral Fellows	Students & Rehired Retirees	GSRAs	Faculty
Annuitant's Health Insurance	X	-	-	-	-
Dental Insurance	X	-	-	-	-
Disability Insurance	X	-	-	-	-
Employee Referral Program (ERIP)	X	-	-	-	-
GSRA Fee Remission & Health Insurance	-	-	-	X	-
Health Insurance	X	X	-	-	-
Medicare	X	X	X	X	X
OASDI	X	-	-	-	-
Public Employees Retirement System (PERS)	X	-	-	-	-
Risk Management & ADA	X	-	-	-	-
Severance	X	-	-	-	-
Term Life Insurance	X	X	-	-	-
Tuition Reimbursement	X	-	-	-	-
Unemployment Insurance	X	X	X	X	-
Vision Insurance	X	-	-	-	-
Workers' Compensation	X	X	X	X	X
Holidays	X	X	X	X	X
Other Leave	X	X	-	-	-
Sick Leave	X	X	-	-	-
Vacation	X	X	-	-	-
Current Rates:	37.6%	21.7%	9.7%	25.9%	11.1%



Indirect Cost Descriptions (cont'd)

- Organizational Burden (OB) is calculated on labor and payroll burden only (FTE gross pay x payroll burden). The rate applied varies from division. Engineering's OB rate is 17.5%. However, OB does not apply to OB projects.
- General Rate (GR) is 45% and it is an indirect cost that is applied to labor costs (FTE gross pay x payroll burden x OB).
- GR is also applied to procurement burden and recharges.



Indirect Cost Descriptions (cont'd)

- Procurement Burden (PB) is 5.8% and it is an indirect cost that is applied to the direct cost of subcontracts, and purchase orders that are processed through the Procurement Department.
- Field Buyer Burden is 3.5% and it is an indirect cost that is applied to the direct cost of subcontracts and purchases orders that are processed through a field buyer.
- PB is also applied to the direct cost of travel.



Indirect Cost Descriptions (cont'd)

- Nuclear Nonproliferation (NN) Burden is 2.3% and it is an indirect cost that applies to projects that relate to weapons of mass destruction, including but not limited to chemical, biological or nuclear weapons research or production, or to threat detection and technologies to analyze and mitigate threats.
- Safeguards and Security (S&S) is 0.73% and it is a indirect cost that is applied to the total cost of WFO projects, excluding FAC. SS does not apply to M&O Contractors (other national laboratories).
- Technology Transfer (TT) burden is 6.7% and it is an indirect cost that is applied to DOE funded TT related projects.



Indirect Cost Descriptions (cont'd)

- Federal Administrative Charge (FAC) is 3% and it is a fee that is applied to WFO projects. It does not apply to M&O Contractors. This fee pays for costs associated with work performed at DOE Headquarters and DOE field offices for overhead costs applicable to such work.
 - FAC (3% of total project cost) is paid by all federal agencies (except NIH).
 - Nonprofit and small business organizations are exempt from FAC. FAC is initially charged, but then a waiver of the FAC is prepared.



Project Types - What are They?

- Not all the indirect costs apply to each project. Different projects gets different overheads. The important thing to know is the type of project. Once you have identified the type of project, then you will be able to apply the appropriate indirect costs (see “Cookbook” for specific examples).



Project Types – What are They? (cont'd)

- There are indirect projects and direct projects.
 - Indirect projects are projects that are funded out of org. burden, overhead, recharge, etc.
 - Direct projects are projects that are funded by DOE and Work for Others (federal agencies, universities, M&O contractors, industry, etc.)
 - Direct funded projects can be classified as either onsite, offsite, or a fabrication.



Project Types – What are They? (cont'd)

- Examples of different project types:
 - Direct Projects
 - An onsite project gets GR of 45%. The GR is applied to the burdens.
 - An offsite project has a different overhead rate of 24.8%. The offsite rate is applied to the burdens. If work or a portion of the work will be done offsite, an offsite rate would be applied in lieu of the GR.
 - A fabrication project has a different overhead rate of 20.2%. The fab rate is applied to the burdens. If the project meets the criteria for fabrication, a fab rate would be applied in lieu of the GR.
 - Indirect Projects
 - An overhead project does not get charged GR.
 - An Org. Burden project does not get charged OB or GR.
 - A Recharge Project does not get charged GR.
 - Etc., etc., (See “Cookbook” for specific examples).



The “Cookbook”

- The “Cookbook” is an excel workbook containing important information on how LBNL manages burdens and rates. The Cookbook can be downloaded via the web:
<http://www.lbl.gov/Workplace/FSM/FSMDeptsandCriticalLinks.htm>. Some of the information it contains:
 - Resource category/Resource type map.
 - General ledger accounts/resource category map (to use in resource adjustments).
 - Descriptions of various types of projects and how the overheads are applied.
 - Official forward pricing rates.